

## **Changes in private sector benefit packages**

**ISSUE:** What do the benefit packages offered to employee groups look like now and how does the Medicare benefit package compare?

**KEY POINTS:** Part A of the original Medicare package was based on the typical Blue Cross coverage of the day and Part B on Aetna's high option plan for federal employees. Since that time, the benefit package offered in the private sector for employee groups has changed considerably more than the Medicare benefit package.

- Group health care coverage has evolved from indemnity plans with a combination of basic coverage with little cost sharing and major medical plans with more cost sharing to preferred provider organizations (PPOs), point of service plans (POS), and HMO coverage.
- PPOs and POS plans have differing levels of cost sharing with higher levels for out-of-network providers. In addition to benefits Medicare covers they also cover prescription drugs and catastrophic expenses, with less cost sharing in many cases.
- HMOs cover more preventive benefits as well, but further restrict choice of providers.

These trends are for employers that offer health care insurance and for employees who can afford to purchase it. They are not the average coverage for all working aged Americans. Determining whether Medicare should emulate group health insurance in the private sector and of what kind requires consideration of the difference in the populations, such as health status and needs, and ability to pay, as well as how to consider the supplemental insurance market.

**ACTION:** The Commission should determine how the differences in benefit packages and the move away from indemnity insurance in the private sector should influence our consideration of the Medicare benefit package.

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